

COMMITTEE ON LEGISLATIVE RESEARCH
OVERSIGHT DIVISION

FISCAL NOTE

L.R. NO.: 3110-01
BILL NO.: HB 1956
SUBJECT: Revenue Dept.; Taxation and Revenue-General-Income-Sales and Use
TYPE: Original
DATE: March 6, 2000

FISCAL SUMMARY

ESTIMATED NET EFFECT ON STATE FUNDS			
FUND AFFECTED	FY 2001	FY 2002	FY 2003
General Revenue	(Unknown)	(Unknown)	(Unknown)
Total Estimated Net Effect on <u>All</u> State Funds*	(UNKNOWN)	(UNKNOWN)	(UNKNOWN)

*Expected to exceed (\$750,000) annually.

ESTIMATED NET EFFECT ON FEDERAL FUNDS			
FUND AFFECTED	FY 2001	FY 2002	FY 2003
Total Estimated Net Effect on <u>All</u> Federal Funds	\$0	\$0	\$0

ESTIMATED NET EFFECT ON LOCAL FUNDS			
FUND AFFECTED	FY 2001	FY 2002	FY 2003
Local Government	\$0	\$0	\$0

Numbers within parentheses: () indicate costs or losses.

This fiscal note contains 4 pages.

FISCAL ANALYSIS

ASSUMPTION

Officials of the **Department of Revenue (DOR)** state this legislation requires interest to be paid to taxpayers on both sales and income tax refunds and credits. The Department of Revenue is required to refund the overpayment within 120 days after the receipt of the properly completed documentation.

If the Division of Taxation and Collections is required to include interest on sales tax credits, major modifications to the sales tax system will be needed. The Division of Taxation and Collections estimates these modifications, including programming changes, will require 5,017 hours of contract labor at a cost of \$131,195.

DOR staff was unable to provide an estimate of interest costs for payments of refunds and/or credits on sales tax. However, in a similar proposal DOR stated that costs associated with additional interest payments/credits on individual income tax would exceed \$750,000 annually.

Officials of the **Office of Administration (COA)** deferred to the estimates provided by DOR.

Oversight, for purposes of this fiscal, assumes the revenue impact of this proposal would be an unknown loss to General Revenue expected to exceed (\$750,000) annually.

<u>FISCAL IMPACT - State Government</u>	FY 2001 (10 Mo.)	FY 2002	FY 2003
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GENERAL REVENUE FUND

Loss to General Revenue Fund

Interest payments on refunds/credits	(unknown)	(unknown)	(unknown)
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Cost - Department of Revenue

Reprogramming costs	(\$131,195)	\$0	\$0
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ESTIMATED NET EFFECT ON

GENERAL REVENUE FUND*	<u>(UNKNOWN)</u>	<u>(UNKNOWN)</u>	<u>(UNKNOWN)</u>
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***Expected to exceed (\$750,000) annually.**

<u>FISCAL IMPACT - Local Government</u>	FY 2001 (10 Mo.)	FY 2002	FY 2003
	\$0	\$0	\$0

FISCAL IMPACT - Small Business

Small businesses would be expected to be fiscally impacted to the extent that they would receive interest on refunds and/or credits of sales and income tax.

DESCRIPTION

This bill makes changes to the conditions for allowing income tax and sales tax refunds or credits and for the payment of interest on certain overpayment or underpayment of taxes.

Under current law, any balance resulting from the offset of any income or withholding tax overpayment to satisfy other debts owed the state by the taxpayer must be refunded to the taxpayer. The bill will allow the balance to be credited to the taxpayer's account instead of being refunded.

The bill also requires the payment of interest at the statutory adjusted rate to an income taxpayer when an overpayment of taxes resulted from the taxpayer filing an amended return after the due date of the original return. Under current law, the taxpayer receives 6% per annum interest under this circumstance.

Under current law, interest is paid on any balance that results after the crediting of any overpayment of sales tax against the current sales tax liability of a taxpayer. The bill requires interest to be paid prior to the crediting of overpayments against a taxpayer's current liability. The Director of the Department of Revenue will be required to refund the balance within 120 days from the date the tax was collected after receiving proper documentation from the taxpayer.

This legislation is not federally mandated, would not duplicate any other program and would not require additional capital improvements or rental space.

SOURCES OF INFORMATION

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Department of Revenue
Office of Administration

A handwritten signature in black ink, appearing to read "Jeanne Jarrett". The signature is fluid and cursive, with the first name "Jeanne" and last name "Jarrett" clearly distinguishable.

Jeanne Jarrett, CPA
Director
March 6, 2000